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C O N F I D E N T I A L SECTION 01 OF 02 MASERU 000544

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SUBJECT: MCC STATUS AND MINISTER OF FINANCE

REF: MASERU 435

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CLASSIFIED BY: June Carter Perry, Ambassador, EXEC , STATE.
REASON: 1.4 (b), (d)

Summary

¶1. (C) In a nearly two (2) hour session with Minister of Finance Thahane October 27, Ambassador reiterated the key points that Lesotho had to address before the visit of Millennium Challenge Corporation (MCC) Vice President for Operations John Hewko and needed before reaching an MCC compact between the U.S. and the Government of Lesotho. Ambassador Perry opened the meeting congratulating the GOL on its FY 2007 MCC performance. (Lesotho ties with Mongolia and Moldova as the best performing country in the Lower Income Category.) Thahane was delighted and pleased that the GOL had been able to improve the number of days it took to start a business. The AMB reviewed the points brought up by MCC Ambassador Danilovitch, CEO, as well as other factors/points in his letter on gender information as well as the matter of private sector development and health care, land reform and GOL's progress on the Metolong Dam project. Thahane asserted that the Government of Lesotho had already had the first meeting with Parliament concerning the gender issue and would meet with Cabinet and Parliament in the coming days; had begun work on the Project Implementing Unit (PIU); and looked forward to the November visit of the various MCC team members concerning the issue of land reform among others. Also, there will be a European Union/SADC Summit which Minister Thahane must chair in mid-November. He confirmed to the AMB on October 30, that he would indeed welcome an in-depth one-on-one discussion with MCC Vice President Hewko during the November 15-16 timeframe. Thahane emphasized that translating his presentations into Sesotho in order to be certain that all members of Parliament, including traditional leaders, would understand concepts that while common in international parlance, are unique in Lesotho culture and language. He believed Parliament would complete work needed on legislation regarding women before its session ends and other elements such as a PIU would be handled in an expeditious manner. End Summary.

Gender Issues

¶2. (C) In order to ascertain exactly where the Government of Lesotho is at this moment in time concerning the various points raised by MCC, the AMB called on Thahane to review the entire

list of issues under consideration, specifically, Ambassador Danilovitch's letter on the points regarding women's equity. On this topic, Thahane said he had met that very day, October 27, with the Prime Minister to go over the points and reinforce their importance in our continued work towards a compact. In terms of timing, he again emphasized his interest in concluding sooner rather than later. We did indicate and emphasize that as soon as the GOL completed its obligations and our technical team had completed their studies, we would be ready to move forward. Therefore, our philosophies in this regard were not inconsistent. Thahane went into a long discussion of the gender issue and stated that he believed Parliament would understand more fully, as it had previously, the importance of the elimination of discrimination and assurance of women's equity in Lesotho. He also told the Ambassador that he was briefing the Cabinet again on the MCC with particular focus on the gender issue in order to be certain that there was clear understanding of the points that MCC has emphasized. From his discussion, firm ground work has been laid as reported by Ambassador to MCC CEO Danilovitch in Washington recently; the time frame for passage of the law remains early December according to the Minister.

Metalong Dam

¶3. (C) We then moved on to discuss the Metolong Dam project and the need to have a Project Implementation Unit (PIU), since not only the MCC, but the World Bank and the Government of Kuwait are working in partnership to finance this dam. Before the Ambassador could complete the points Thahane interjected with enthusiasm that he had already met with members of the intram ministerial committee and that he had begun work on the PIU which he expected to be in by the month of November. He seemed very confident that this aspect would be fully addressed by the time of the November 20 Donor Roundtable he is hosting.

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MCC Pending Visits

¶4. (C) The Ambassador took the opportunity to brief Minister Thahane on the November 4-21 visit of the various members of the MCC team (including individuals who will offer further details to the GOL technical team on aspects of the land reform bill) as well as the November 15-16 visit of MCC Vice President of Operations John Hewko and the desire to have an in-depth conversation with him to hash out any remaining details. Although he will be chairing the EU/SADC Troika meeting in Maseru at that time, Thahane was eager to meet with the MCC Vice President of Operations and asked if it might be possible for him to arrive on November 14. The Ambassador apprised Minister Thahane that due to his travel schedule, Mr. Hewko could not be in Lesotho on the 14th, but that he would be in Lesotho on the 15-16. In an October 30 conversation, Minister Thahane confirmed that although Mr. Hewko's arrival would coincide with the Minister's chairing of the SADC meeting, he would be more than happy to have the in-depth one-on-one desired in terms of the overall schedule of the MCC, during Vice President Hewko's visit. Thahane was very supportive of our recommendation that the key ministers involved have the opportunity to talk with Mr. Hewko and applauded our recommendation that the MCC executive make a presentation to the wider Basotho community, business, health and civil society, in particular, as well as the media.

Comment

¶5. (C) Thahane confirmed also on October 30 that he had held a meeting a few days ago with members of Parliament and Cabinet and believed he was making significant progress on final passage of the marriage equity bill. He is forecasting continued

discussion of all the issues addressed and clearly looks forward to concluding this process as soon as possible for a variety of reasons. Among those reasons, of course, are the upcoming 2007 parliamentary elections which will issue in a new government. In that regard, Thahane stated that in fact the Prime Minister could call elections at any time, even today, but the Minister suggested they would probably happen in February or March as oppose to the expected May timeframe. Because of that factor, the GOL is planning an early presentation of the budget in January, a month earlier than normal, and, with Parliament's early recess in 2007, the Minister wants to resolve all issues around the MCC as soon as possible with all of the major "underbrush" being dealt with between now and the end of November. Because of his chairmanship of SADC and the many requirements on his key team members, such as the Principal Secretary and the Director of Private Sector Development,

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Minister Thahane will have to work even more diligently and quickly to achieve the desired results. He believes this can be done. We have assured him that the MCC will provide the technical teams necessary to interact with his ministries' core team and to offer as much support as possible. End Comment.

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